COMPANY RESULTS

Malayan Banking (MAY MK)

2Q25: Supported By Robust Trading Income

Maybank's 2Q25 net profit was in line, underpinned primarily by strong non-interest income growth and cost discipline. We maintain our HOLD call and target price of RM10.52 (1.18x 2026F P/B, 10.5% ROE). The stock is trading near its historical mean P/B, which we view as fair, as it reflects modest earnings growth expectations, balanced by healthy provision buffers and an attractive 7% dividend yield.

RESULTS

- **In line.** Malayan Banking (Maybank) reported 2Q25 net profit of RM2.6b (+4% yoy, flat qoq), lifting 1H25 earnings to RM5.2b (+4% yoy). We deem the results in line, with 1H25 representing 51% of full-year forecasts. 1H25 earnings growth was driven by lower provisions, stronger insurance underwriting, and robust trading income (translating into +7% yoy non-interest income), partly offset by 3bp NIM compression due to lower SORA rates in Singapore.
- **2Q25 earnings rose 4% yoy,** driven by robust trading gains that lifted non-interest income 18% yoy. Growth was partly offset by higher (pre-emptive) credit costs and a 6bp NIM compression.
- **2Q25 earnings were flat qoq**, as strong trading gains (+16% qoq non-interest income) were offset by a 2bp rise in credit cost and 2bp NIM compression
- **NIM slipped 3bp qoq** to 2.00% in 2Q25, dragged by lower SORA in Singapore, partly offset by better asset-liability management in Malaysia. Further pressure is expected in 3Q25 from the OPR cut, with an expected recovery in 4Q25 as deposits reprice. Proactive liquidity management (optimising LDR, releasing expensive FDs, and replacing costly wholesale deposits with cheaper bond funding) will help to cushion the impact. Overall, management expects to see a slight compression 2025 NIM. We make no changes to our forecast of a 3bp full-year decline as it is largely in line with management's latest guidance.
- **Robust non-interest income growth.** 2Q25 non-interest income rose 18% yoy (1H25: +7%), driven by strong trading and investment banking gains, partly offset by flat wealth and transactional fees. With FVOCI reserves up 25% qoq to RM3.4b on lower bond yields, management expects 2Q25 strong trading gains to be sustainable.
- **Moderation in loans growth guidance.** 1H25 loans grew 4% yoy on constant currency but only 1.3% yoy in headline terms due to a stronger ringgit. The tariff uncertainty has led some clients delaying investments, thus prompting management to trim the loan growth guidance to ~3% (from 5–6%). 1H25 growth was driven by domestic loans (+7% yoy), particularly mortgages (+11%) and commercial banking (+6%), while Indonesia was flat. We view the slight moderation in loan growth guidance positively, as it reflects pricing discipline to preserve NIM which has a greater sensitivity impact to earnings, while slower growth also allows greater flexibility in capital management.

KEY FINANCIALS

Year to 31 Dec (RMm)	2023	2,024	2025F	2026F	2027F
Net interest income	12,792	12,807	12,797	13,017	13,415
Non-interest income	6,992	8,419	8,718	9,060	9,408
Net profit (rep./act.)	9,350	10,089	10,250	10,516	11,032
Net profit (adj.)	9,350	10,089	10,250	10,516	11,032
EPS (sen)	83.2	89.7	91.2	93.5	98.1
PE (x)	11.7	10.9	10.7	10.4	9.9
P/B (x)	1.2	1.2	1.1	1.1	1.1
Dividend yield (%)	6.2	6.3	7.0	7.2	7.5
Net int margin (%)	2.22	2.17	2.14	2.12	2.13
Cost/income (%)	48.9	48.9	50.6	51.4	52.2
Loan loss cover (%)	120.1	122.4	140.6	140.8	143.5
Consensus net profit	-	-	10,338	10,685	11,294
UOBKH/Consensus (x)	-	-	0.99	0.98	0.98

Source: Malayan Banking, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	RM9.75
Target Price	RM10.52
Upside	+7.9%

COMPANY DESCRIPTION

The largest banking group in Malaysia in terms of asset size. Maybank also has sizeable exposure to foreign markets, with foreign loans, mainly in Singapore and Indonesia, making up 33% of its loan base

STOCK DATA

GICS sector	Financials
Bloomberg ticker:	MAY MK
Shares issued (m):	12,081.1
Market cap (RMm):	117,790.8
Market cap (US$m):	28,053.4
3-mth avg daily t'over (US$m):	26.8

Price Performance (%)

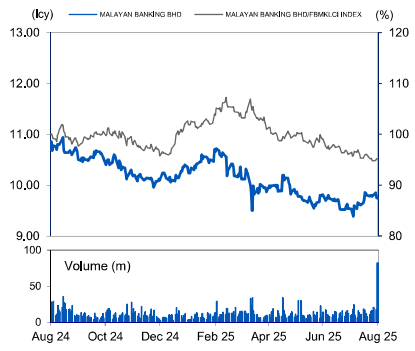
52-week high/low RM11.04/RM9.32

1mth	3mth	6mth	1yr	YTD
2.2	(1.7)	(8.9)	(7.5)	(4.8)

Major Shareholders	%
Amanah Saham Nasional	34.8
Employees Provident Fund Board	11.6
Yayasan Perlaburan Bumiputra	6.4

FY25 NAV/Share (RM)	8.64
FY25 CAR Tier-1 (%)	18.0

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **GIL ratio inched up to 1.30% in 2Q25 (from 1.27% in 1Q25),** mainly due to a single Hong Kong real estate loan, which is already provided for. In Malaysia, the uptick came from SMEs (pre-emptive R&R reclassification of still-performing loans) and auto loans (concentrated in reconditioned cars). Management stressed these are not systemic, and only impact certain niche portfolios; there has been improved recoveries in the domestic consumer portfolio in July. Loans-loss coverage ratio remains healthy at 118%.
- **Credit cost remains stable.** Net credit cost edged up 2bp qoq to 25bp in 2Q25, lifting 1H25 to 24bp. The uptick reflected additional pre-emptive provisions, raising MOA to RM2b, mainly for consumer and SME portfolios to buffer potential US tariff risks. Despite this, 1H25 net credit cost improved from 27bp in 1H24, supported by stronger corporate recoveries.
- **Sustainable cash dividend payout.** The group declared a 30sen interim DPS in 1H25 (70% payout). With a strong CET1 ratio of 14.6% and ample runway before full Basel 4 adoption (2030), we are of the view that the current cash dividend payout ratio of roughly 70% is sustainable, offering an attractive 7% yield.
- **2025 outlook.** Management's key 2025 guidance are: a) ROE: 11.3%, b) loans growth: 3%, c) net credit cost below 30bp, and d) cost-to-income ratio of less than 49%.
- **Outlook remains stable.** Management expects the 2Q25 GIL uptick to have stabilised, with corrective measures taken for affected portfolios. It remains confident of meeting ROE targets, noting that external geopolitical risks are beyond control, but believes its RM2b overlays provide sufficient buffer against unforeseen asset quality shocks.

EARNINGS REVISION

- Earnings revision: No changes.

VALUATION/RECOMMENDATION

- **Maintain HOLD with a target price of RM10.52 (1.18x 2026F P/B, 10.5% ROE).** The stock is currently trading at its historical mean P/B which we deem to be fair as ROE output is broadly in line with its historical mean levels. Its attractive dividend yield of 7% provides downside support.

KEY ASSUMPTIONS

(%)	2025F	2026F	2027F
Loan Growth	5.5	6.0	6.0
Credit Cost (bp)	23.0	23.0	20.0
ROE	10.6	10.5	10.8

Source: Maybank, UOB Kay Hian

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

- **Environmental**
  - **Green loan commitment.** To provide RM50b in sustainable financing by 2025.
  - **Zero new coal financing.** Transition all stakeholders to zero carbon emission by 2050.
- **Social**
  - **Board and upper management gender diversity.** Maintained 25% female directors on the Board and 40% females in senior management.
  - **Enhanced financial inclusion to B40.** Provide greater financial inclusion for vulnerable communities (affordable housing financing) and welfare assistance to vulnerable communities, especially the B40 consumers.
- **Governance**
  - **Composition of independent directors.** Composition of Independent Directors (INED) – 75%.

Source: Maybank, UOB Kay Hian

2Q25 RESULTS

Profit & Loss (RMm)	2Q25	2Q24	yoy % chg	1H25	yoy % chg
Net Interest Income	3,172.5	3,192.4	(0.6)	6,394.7	0.8
Islamic Banking	2,210.4	2,129.8	3.8	4,274.8	1.3
Fees & Commissions	958.2	940.5	1.9	1,897.3	0.5
Net insurance income	(377.4)	(221.9)	70.1	(51.7)	(93.2)
Net trading income	982.4	909.6	8.0	1,067.8	(50.4)
Other Operating Income	738.3	393.6	87.6	1,813.7	69.5
Total Income	7,684.4	7,343.9	4.6	15,396.6	3.2
Operating Expenses	(3,785.0)	(3,593.5)	5.3	(7,528.0)	3.8
PPOP	3,899.4	3,750.5	4.0	7,868.6	2.6
Provisions	(423.4)	(381.3)	11.0	(807.6)	(4.9)
Writeback/(Impairment)	(51.2)	1.4	n.a.	(93.4)	24.5
Associate	86.8	72.3	20.1	138.1	(0.7)
PBT	3,511.6	3,442.9	2.0	7,105.7	3.2
Net Profit	2,628.0	2,529.6	3.9	5,216.9	4.0
EPS (sen)	23.3	22.5	3.9	46.3	3.9
DPS (sen)	30.0	29.0	3.4	30.0	3.4
Financial Ratios (%)	**2Q25**	**2Q24**	**yoy chg (ppt)**	**1Q25**	**qoq chg (ppt)**
Loan Growth, yoy	(0.1)	1.7	(1.8)	0.6	(0.8)
Loan/Deposit Ratio	92.7	96.9	(4.2)	93.3	(0.7)
Cost/Income Ratio	49.3	48.9	0.3	48.5	0.7
ROE	11.3	10.7	0.6	11.1	0.2
Gross Impairment Loan Ratio	1.3	1.3	0.0	1.3	0.0
Credit Costs (bp)	25.0	22.9	2.2	22.7	2.4

Source: Maybank, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Interest income	32,770	32,983	34,652	36,218
Interest expense	(19,962)	(20,186)	(21,635)	(22,803)
Net interest income	12,807	12,797	13,017	13,415
Fees & commissions	3,830	3,983	4,183	4,392
Other income	4,588	4,735	4,878	5,016
Non-interest income	8,419	8,718	9,060	9,408
Income from islamic banking	8,346	9,098	9,916	10,809
Total income	**29,573**	**30,612**	**31,994**	**33,632**
Staff costs	(8,596)	(9,456)	(10,212)	(11,132)
Other operating expense	(5,864)	(6,043)	(6,230)	(6,423)
Pre-provision profit	15,112	15,113	15,551	16,077
Loan loss provision	(1,671)	(1,633)	(1,723)	(1,580)
Other provisions	24	0	0	0
Associated companies	236	250	266	281
Other non-operating income	0	0	0	0
Pre-tax profit	13,702	13,731	14,094	14,778
Tax	(3,195)	(3,196)	(3,287)	(3,440)
Minorities	(418)	(284)	(292)	(306)
Net profit	**10,089**	**10,250**	**10,516**	**11,032**
Net profit (adj.)	10,089	10,250	10,516	11,032

BALANCE SHEET

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Cash with central bank	15,740	17,167	21,298	22,470
Govt treasury bills & securities	50,531	51,541	52,572	53,623
Interbank loans	13,472	22,275	22,498	22,723
Customer loans	628,923	662,741	697,099	735,277
Investment securities	215,385	202,223	216,619	232,006
Derivative receivables	21,648	23,418	23,418	23,418
Associates & JVs	2,106	1,858	1,858	1,858
Fixed assets (incl. prop.)	3,945	3,740	3,927	4,123
Other assets	75,927	90,362	95,704	101,531
Total assets	**1,027,675**	**1,075,323**	**1,134,993**	**1,197,028**
Interbank deposits	44,677	47,051	48,463	49,917
Customer deposits	696,835	741,897	782,702	825,750
Derivative payables	25,083	27,494	27,494	27,494
Debt equivalents	12,975	12,735	12,735	12,735
Other liabilities	150,457	148,937	162,989	177,039
Total liabilities	**930,026**	**978,115**	**1,034,382**	**1,092,935**
Shareholders' funds	94,642	93,971	97,090	100,280
Minority interest - accumulated	3,007	3,237	3,521	3,814
Total equity & liabilities	**1,027,675**	**1,075,322**	**1,134,993**	**1,197,028**

OPERATING RATIOS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Capital Adequacy				
Tier-1 CAR	16.1	18.0	17.6	17.3
Total CAR	19.0	23.2	22.6	22.1
Total assets/equity (x)	11.4	11.6	11.9	12.1
Tangible assets/tangible common equity (x)	12.2	12.5	12.7	13.0
Asset Quality				
NPL ratio	1.2	1.3	1.3	1.3
Loan loss coverage	122.4	140.6	140.8	143.5
Loan loss reserve/gross loans	1.8	1.8	1.8	1.8
Increase in NPLs	(3.2)	9.7	6.7	3.3
Credit cost (bp)	24.8	23.0	23.0	20.0
Liquidity				
Loan/deposit ratio	89.3	89.1	89.0	89.0
Liquid assets/short-term liabilities	11.5	11.6	11.3	11.0
Liquid assets/total assets	8.5	8.5	8.3	8.1

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Growth				
Net interest income, yoy chg	0.1	(0.1)	1.7	3.1
Fees & commissions, yoy chg	9.0	4.0	5.0	5.0
Pre-provision profit, yoy chg	8.2	0.0	2.9	3.4
Net profit, yoy chg	7.9	1.6	2.6	4.9
Net profit (adj.), yoy chg	7.9	1.6	2.6	4.9
Customer loans, yoy chg	5.4	5.2	5.5	5.5
Customer deposits, yoy chg	6.5	5.5	5.5	5.5
Profitability				
Net interest margin	2.17	2.14	2.12	2.13
Cost/income ratio	48.9	50.6	51.4	52.2
Adjusted ROA	1.0	0.9	0.9	0.9
Reported ROE	10.7	10.6	10.5	10.8
Adjusted ROE	10.7	10.6	10.5	10.8
Valuation				
P/BV (x)	1.2	1.1	1.1	1.1
P/NTA (x)	1.3	1.2	1.2	1.1
Adjusted P/E (x)	10.9	10.7	10.4	9.9
Dividend Yield	6.3	7.0	7.2	7.5
Payout ratio	68.0	75.0	75.0	75.0

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